

SITAR SHOP-RITE

PACKAGE MERCHANDISING PROPOSAL

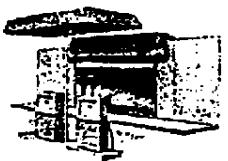
R.J. REYNOLDS TOBACCO COMPANY
APRIL 26, 1991

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CIGARETTE INDUSTRY PROFILE

Cigarette Unit Share Trends: By Retail Segments . . .

and who gained/lost over the past five years

	Share of Market			
	1982 %	1987 %	Share Point Change	
	Supermarket	37	35	-2
	Small Grocery	11	9	-2
	Convenience	11	18	+7
	Service Station	9	11	+2
	Drug Store	9	8	-1
	Discount	4	4	NC
	*Other	19	15	-4

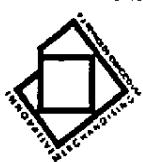
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Source: RJR Market Research

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*Liquor Stores, Restaurants/Bars, Newsstand/Tobacco Shops, etc.

Item No. 242529



DATA

COST:

FULL PRICE	KINGS	\$15.87
	100'S	\$16.18
GENERIC	KINGS	\$13.87
	100'S	\$14.13
SUB-GENERIC	KINGS	\$10.91
	100'S	\$11.17

WEIGHTED COST

FULL PRICE:	\$15.96
GENERIC:	\$13.95
SUB-GENERIC:	\$10.99

WEIGHTED COST OF AVERAGE CARTON

\$15.74

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DATA

SELLING PRICE:

FULL PRICE	KINGS 100'S	\$17.14 \$17.48
GENERIC	KINGS 100'S	\$14.88 \$15.16
SUB-GENERIC	KINGS 100'S	\$11.70 \$11.98

WEIGHTED SELLING PRICE

FULL PRICE:	\$17.24
GENERIC:	\$14.96
SUB-GENERIC:	\$11.78

WEIGHTED AVERAGE CARTON SELLING PRICE

\$16.99

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CARTON GROSS MARGIN

$$\frac{\$ 1.25}{\$ 16.99} = 7.36\%$$

AVERAGE PROFIT PER CARTON

\$ 16.99	AVG. SELLING PRICE
- 15.74	AVG. COST
\$ 1.25	PROFIT/CARTON

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PACK PROFITABILITY

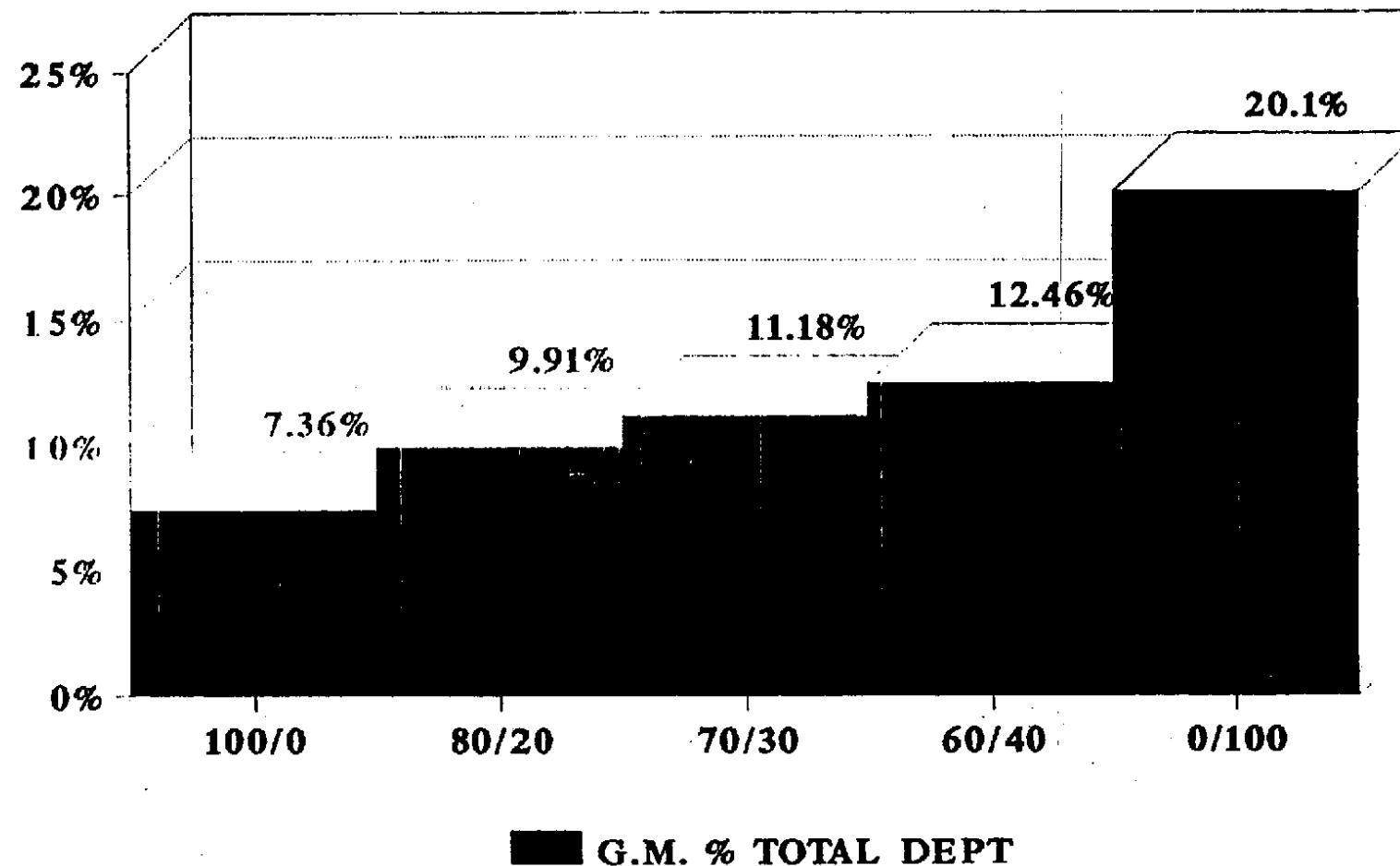
	<u>SELLING PRICE</u>	<u>PROFIT/CARTON</u>
FULL PRICE	\$2.00	\$4.04
GENERIC	\$1.75	\$3.55
SUB-GENERIC	\$1.40	\$3.01

WEIGHTED AVERAGE CARTON SOLD BY PACK

SELLING PRICE:	\$1.97
PROFIT/CTN:	\$3.96
G.M.%:	20.1%

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CARTON/PACK RATIO IMPACT



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\$ PROFIT IMPACT

@ 1,500 CARTON/WEEK

<u>CTN/PK RATIO</u>	<u>GM%</u>	<u>PROFIT/CTN</u>	<u>WEEKLY PROFIT</u>	<u>ANNUAL PROFIT</u>
100/0	7.36%	\$1.25	\$1,875.00	\$ 97,500.00
80/20	9.91%	\$1.79	\$2,685.00	\$139,620.00
* 70/30	11.18%	\$2.06	\$3,090.00	\$160,680.00
60/40	12.46%	\$2.33	\$3,495.00	\$181,740.00

THEREFORE

100/0 VS. 70/30 EQUALS

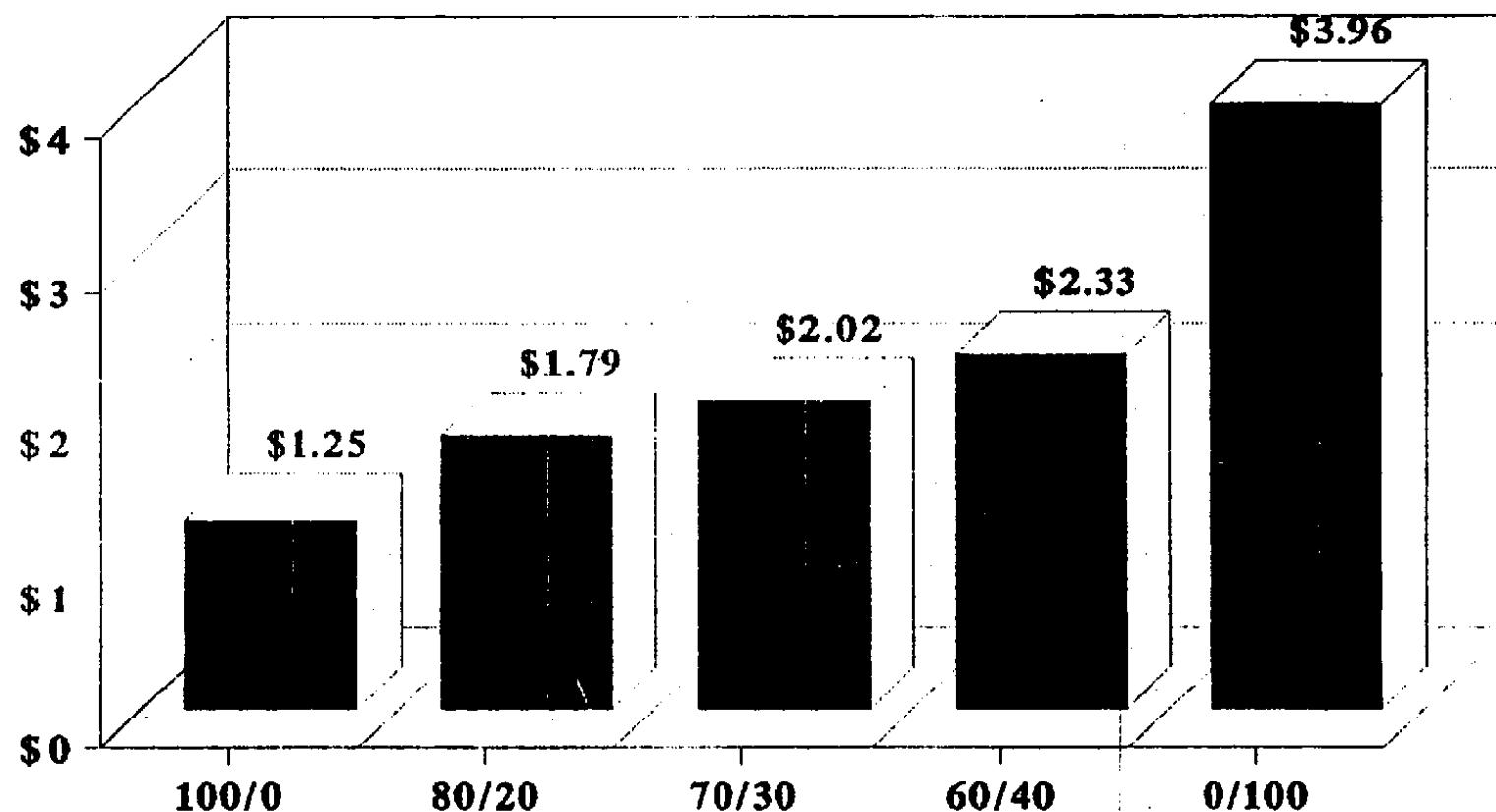
\$63,180 PROFIT INCREASE/YEAR

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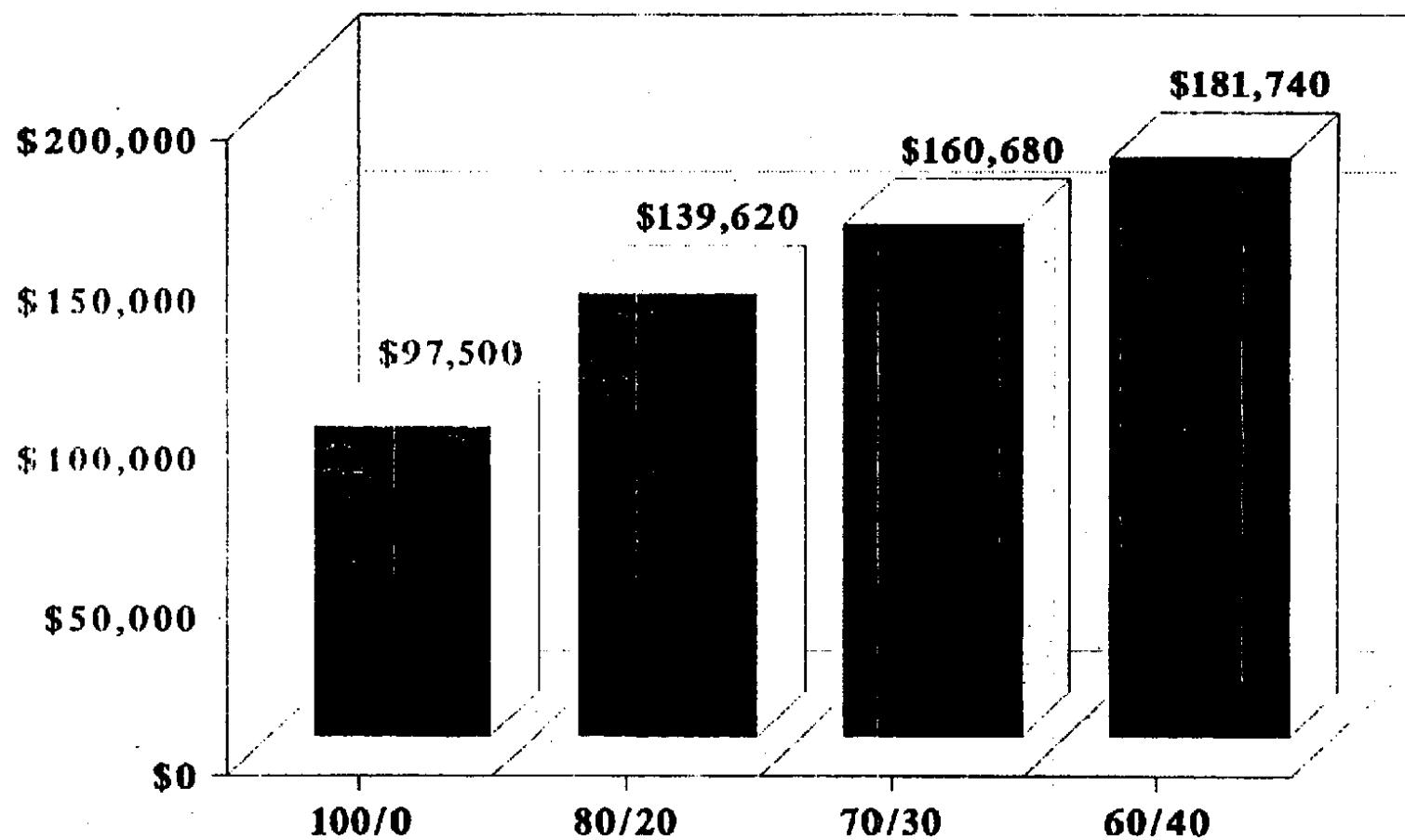
CARTON/PACK RATIO IMPACT

■ PROFIT PER CTN SOLD



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CARTON/PACK RATIO IMPACT ANNUAL PROFIT @ 1,500 CTN/WK



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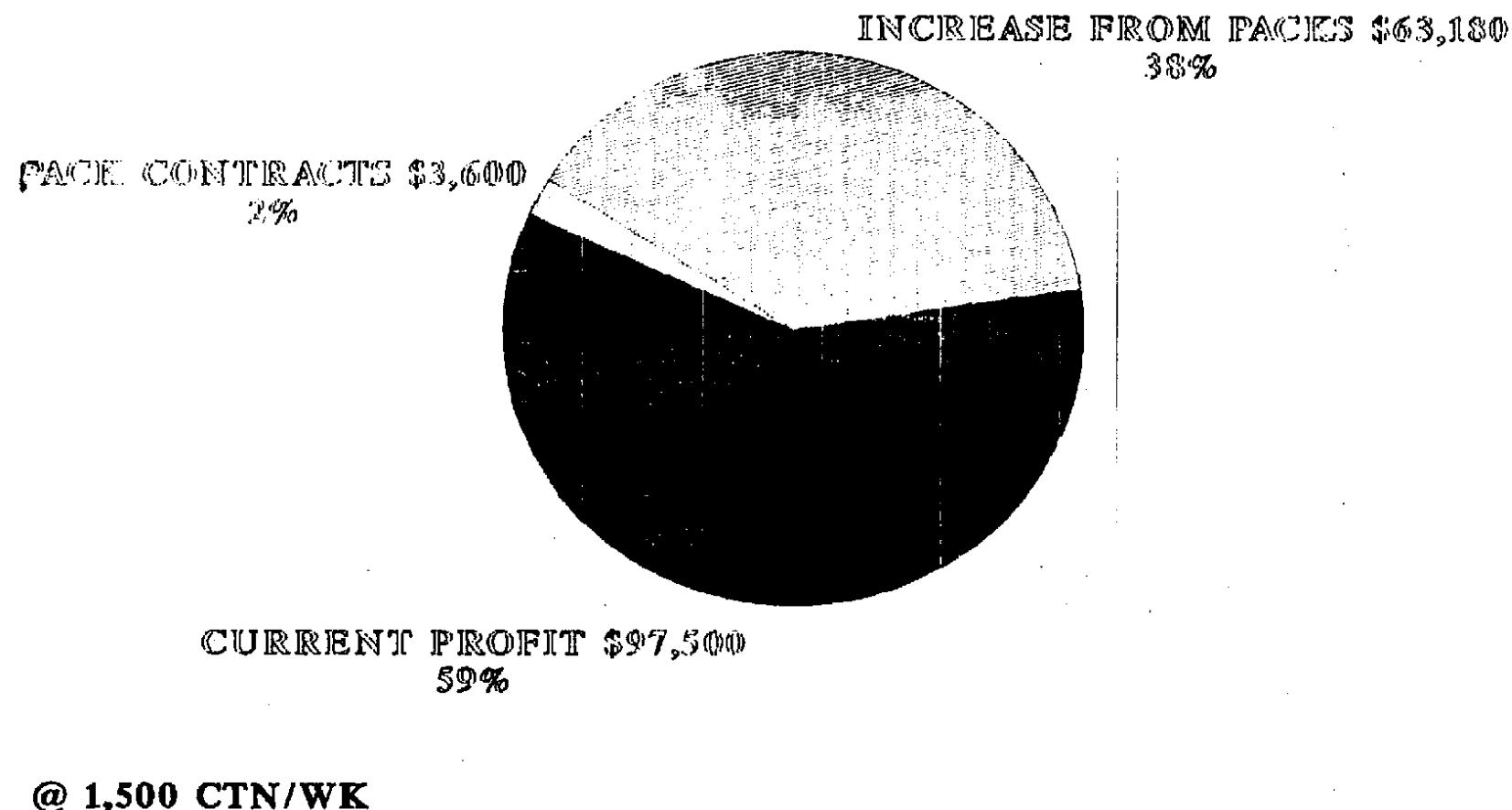
R.J. REYNOLDS CONTRACTS

	<u>MONTHLY</u>	<u>ANNUALLY</u>
EXPRESS CHECKLANE DISPLAY (1)	\$100.00	\$1,200.00
UNIVERSAL PACKAGE MERCHANDISER (3)	\$100.00	\$1,200.00
* PREFERRED PRESENCE BONUS	<u>\$100.00</u>	<u>\$1,200.00</u>
	\$300.00	\$3,600.00

* REQUIRES R.J. REYNOLDS INDUSTRY CARTON FIXTURE, RJR SAVINGS CENTER FIXTURE, RJR S/S PACKAGE FIXTURES (WITH PROMOTIONAL SECTION)

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PROFIT BREAKDOWN AT 70/30 CTN/PK RATIO



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PILFERAGE

PILFERAGE WOULD NEED TO EXCEED

$$\begin{aligned} & \$63,180/\text{YEAR} \\ + & \underline{3,600/\text{YEAR}} \\ & \$66,780/\text{YEAR} \end{aligned}$$

FOR THERE TO BE A LOSS

ANNUAL SALES = 78,000 CARTONS

$$\frac{\$66,780}{\$15.74 \text{ COST/CTN}} = 4,242.7 \text{ CTN} = 42,427 \text{ PACKS}$$

$$\frac{4,242.7 \text{ CTN (VALUE OF PROFIT GAIN)}}{78,000 \text{ CTN}} = 5.44\%$$

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